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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 2, Number 8
November, 1980

analysis and interpretation

- the industry
- the market
- consumer behavior and attitudes

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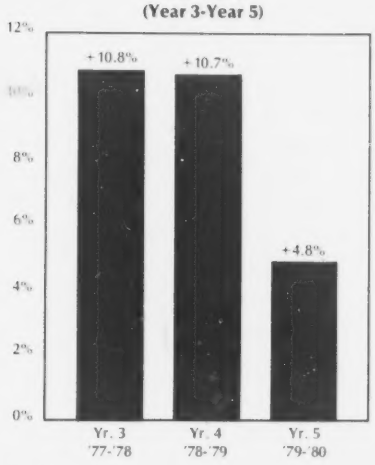
CUSTOMER TRAFFIC DECLINES SHOWN BY CREST

CREST (Consumer Reports on Eating Share Trends) has recently completed its fifth year and can now provide us with detailed information concerning changes in consumer eating out patterns during the past five years. The following highlights are from the most recent year ending August 1980, with comparisons made to the year ending August 1979. (For information related to consumer behavior in the Summer Quarter—June, July, August 1980—see the CREST Report supplement.)

- CREST sales for the commercial sector of the foodservice industry posted a gain of only 4.8 percent in the year ending August 1980, compared to substantially higher gains of 10.7 percent and 10.8 percent in the previous two years.
  - —Fast food restaurant sales rose 12.0 percent in the most recent year and family restaurant sales posted a gain of 8.7 percent.
  - —Sales declined by 0.6 percent at cafeterias and by 3.7 percent at coffee shops during this same period.
- Customer traffic declined for the second consecutive year falling by 3.8 percent in the period ending August 1980. The decline would have been larger except for the good showing in the Winter Quarter when traffic counts rose 1.0 percent. For the previous year ending August 1979 customer traffic decreased by 1.1 percent. As a result, customer count in the most recent year was nearly 5.0

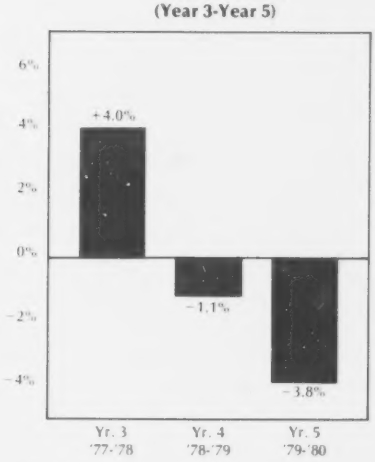
SUMMARY: CREST YEAR 5
SEPTEMBER 1979-AUGUST 1980

Percent Change in Dollar Sales (Year 3-Year 5)



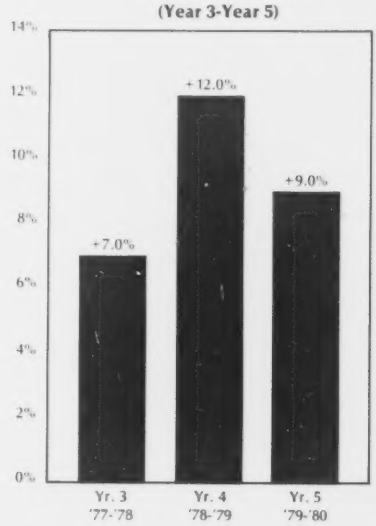
SOURCE: CREST.

Percent Change in Customer Traffic (Year 3-Year 5)



SOURCE: CREST.

Percent Change in Per Person Check Size (Year 3-Year 5)



SOURCE: CREST.

percent below the level of two years ago.

—Contrary to the overall decline, fast food and family restaurants both experienced traffic gains of 2.2 percent and 1.3 percent respectively for the period ending August 1980.

—On the other hand, sharp traffic losses were noted at cafeterias and coffee shops, while traffic at atmosphere-specialty restaurants declined at the same rate as the industry.

- The recent 4.8 percent advance in restaurant sales is entirely attributed to an increase in the average per person check size of 9.0 percent since customer count was off.

  —The average per person check size at fast food restaurants rose 9.9 percent in the year ending August 1980 and sales were up 12.0 percent, resulting in a real sales gain of 2.1 percent. Fast food restaurants were the only restaurant type to experience a real sales gain last year.

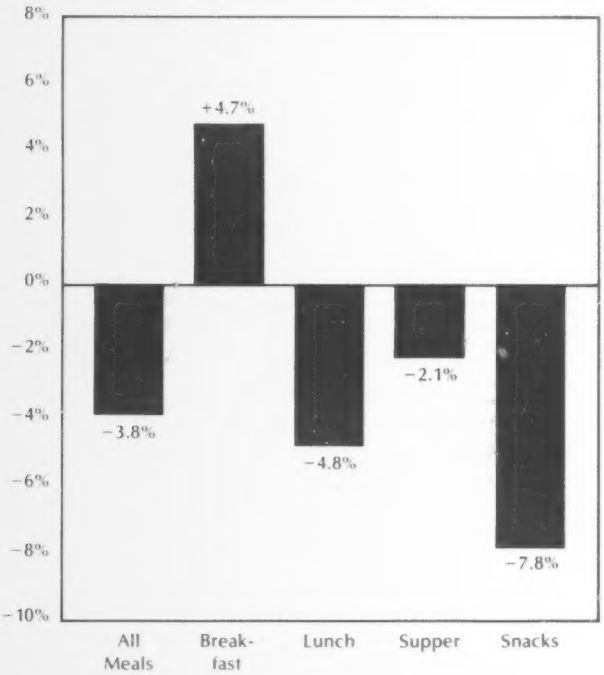
- The decline in customer traffic was due in part to fewer families eating out in the most recent year. The proportion of the families eating out declined from 78.45 percent for the year ending August 1979 to 77.86 percent for the year ending August 1980, indicating that some families dropped out of the market. In addition, there was a considerable cutback in frequency of eating out by CREST families. In the most recent year CREST families ate out an average of 8.54 times in a two week period compared to 9.00 times in the prior year. This represents a 5 percent decline in frequency of eating out.

- Breakfast was the only meal period to experience traffic gains in the most recent CREST year. Customer counts were up 4.7 percent over the previous year for the morning meal compared to an overall industry traffic loss of 3.8 percent. On the other hand, traffic did not hold up nearly so well for the other meal times, with supper traffic down 2.1 percent, lunch down 4.8 percent and snacks down 7.8 percent.

- Not surprisingly, promotional usage increased dramatically this past year as operators attempted to attract more customers. In the year ending August 1980, 8.22 percent of the occasions involved a promotion versus only 6.99 percent of the occasions for the year ending August 1979. Thus, promotional activity was up about 18 percent.

From time to time additional information from the most recent CREST year concerning meal occasions, restaurant types and the fastest growing food and beverage items will appear in *Foodservice Trends*.

Percent Change in Customer Traffic By Meal Period (Sept. '78-Aug. '79 vs. Sept. '79-Aug. '80)



SOURCE: CREST.

NOTICE TO OUR READERS

We have adopted a new publishing schedule for *Foodservice Trends* which we believe will still provide our readers with pertinent information on the industry on a monthly basis. For six months of each year we will publish our usual 12 page issue, such as this one, complete with information on food prices and supplies, industry sales forecasts, CREST information and overall economic data. In the remaining six months we will publish a four page supplement to the *Washington Report* similar to those which appeared in the September 26, 1980 and October 24, 1980 issues.

We feel that such a move will not only reduce the number of mailing items received by the members but also help NRA to economize on its publication and mailing costs.

NEW RESTAURANT OPERATORS PANEL PUBLISHES INITIAL RESULTS

You Too Can Participate!

Recently released figures from the new "National Trend of Business in the Restaurant Industry" show that industry sales growth improved substantially in August compared to July. August sales were nearly 9 percent above a year earlier while the gain in July was 5 percent. Food costs for restaurant operators accelerated at the same time, however, moving up about 8 percent in August.

These timely figures are from a newly launched restaurant operators panel sponsored by the NRA and the accounting firm of Laventhol & Horwath. The purpose of this monthly panel, in which all restaurant operators are urged to participate, is to provide NRA members with a unique means of comparing their own operations to averages for similar restaurants. The monthly information generated by the panel is not currently available to NRA members from any other source.

Panel participants receive up-to-the-minute comparative information on:

—food and beverage sales
—food cost
—beverage cost
—food and beverage cost as a percent of sales
—payroll
—average check
—sales per seat
—customer count

Each month participants receive an individualized report comparing their own operating results with those for all participants. In addition, we will periodically publish detailed analyses in *Foodservice Trends*.

All that a panel member is asked to do is complete a short card each month. The sales and cost information given will remain confidential with Laventhol & Horwath.

Future possibilities for this unique restaurant operators panel are enormous. As more and more NRA members join the panel much more detailed information will become available. For example, comparative sales, cost and customer count data will be available for the following: type of establishment, region, average check size, and seating capacity.

Our goal is to develop panel participation to such an extent that local area or state-by-state operating information will be available. What could be more valuable than the ability to compare your operating characteristics to those for similar restaurants in your area?

To achieve this goal we urge each NRA member to join this valuable restaurant operators panel. If you wish to become a participant, please fill in your name and address below. Fold the postage free mailer and return to NRA. If you have any further questions contact Bette Hoyt, National Restaurant Association, 311 First Street, N.W., Washington, D.C. 20001 202/638-6100.

National Trend of Business in the Restaurant Industry*

	Percent Change	
	July '80	August '80
Food & Alcoholic Beverage Sales	+ 5%	+ 9%
Food Sales	+ 4%	+ 8%
Alcoholic Beverage Sales	+ 8%	+11%
Food & Alcoholic Beverage Cost	+ 7%	+ 8%
Food Cost	+ 6%	+ 8%
Alcoholic Beverage Cost	+10%	+ 8%
Payroll Cost	+ 8%	+ 5%
Average Check	+ 5%	+ 5%

*Should not be considered representative of the industry because response is limited.

Participant Request

Please complete and return if you wish to join the panel.

National Trend of Business in the Restaurant Industry

Restaurant Owner/Manager

Name of Restaurant

Address

City State Zip

Telephone ( )

NATIONAL RESTAURANT ASSOCIATION

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO. 11622 WASHINGTON, D.C.

POSTAGE WILL BE PAID BY ADDRESSEE

NATIONAL RESTAURANT ASSOCIATION
311 First Street, N.W.
Washington, D.C. 20001

Attn.: RESEARCH

Fold Here

Use this self-mailer to return the NRA questionnaire. Fold and staple with the "Business Reply Mail" address appearing on top.

Fold Here And Staple

NATIONAL RESTAURANT ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends
November, 1980

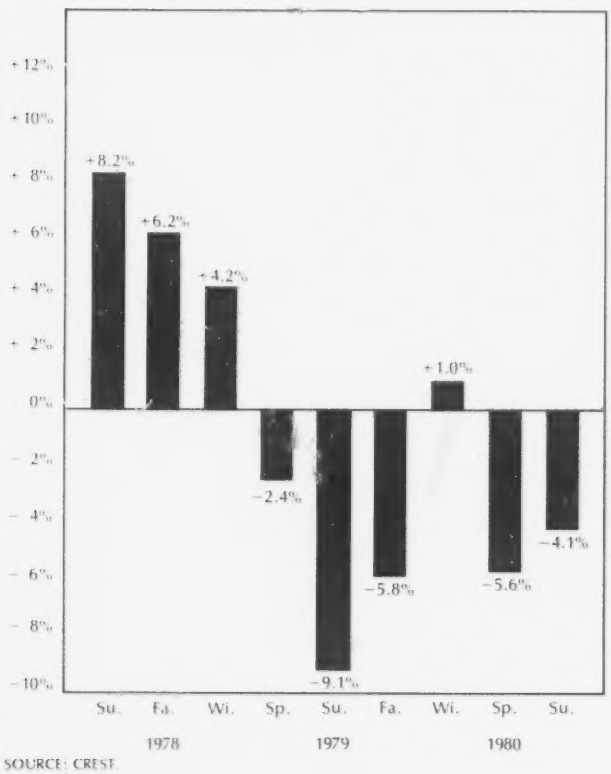
Crest Highlights

- **Customer traffic declined by 4.1 percent in the Summer Quarter over the same period last year.**
- **Families continued to decrease their frequency of dining out, with especially sharp cut backs on visits to cafeterias and coffee shops.**
- **Industry sales rose 4.1 percent in the Summer Quarter compared to a considerably smaller rise of 1.2 percent this past spring.**
- **Promotional usage by operators continues at a high level, with 7.8 percent of the occasions in the Summer Quarter involving a promotion versus only 6.4 percent of the occasions last summer.**
- **Traffic rose 4.4 percent at family restaurants and 0.9 percent at fast food restaurants.**
- **Breakfast was the only meal to experience an increase in traffic counts. Customer traffic for breakfast rose 7.2 percent in the Summer Quarter over the same period last year.**

CUSTOMER TRAFFIC DECLINES 4% IN SUMMER QUARTER

Restaurant traffic counts remained depressed in the Summer Quarter (June, July, August) in spite of signs that the economy was improving. Traffic in the Summer Quarter declined by 4.1 percent from the same period in 1979 compared to a steeper decline of 5.6 percent in the previous quarter, according to recent data from CREST. This drop in traffic is not nearly as disastrous as that experienced last summer when restaurant customer counts were down 9.1 percent. However, last year's gasoline shortage was primarily responsible for the industry's poor performance at that time, while a weak economy and higher prices for most goods and services were the major factors contributing to this year's traffic declines. The industry now finds its customer counts considerably below those of two years ago.

Percent Change in Quarterly Customer Traffic (Summer '78-Summer '80)



SOURCE: CREST.

Many economists feel that the nation is now pulling out of its recession, and this should be good news for the foodservice industry. Manufacturers, particularly in the automotive industry, have begun recalling laid-off workers, and as a result, the employment picture has improved. In addition, inflation has moderated and energy prices have stablized. The outlook for the industry in 1981 should be better. A review of the National Restaurant Association's 1981 sales and economic forecast will be published in the December issue of *Foodservice Trends*.

Frequency of Eating Out Continues to Decrease

The primary cause for the current traffic softness is that consumers are satisfying a smaller portion of their eating needs at restaurants than they did a year ago. This is evident when visit frequency, the number of times each restaurant patron family actually goes to a

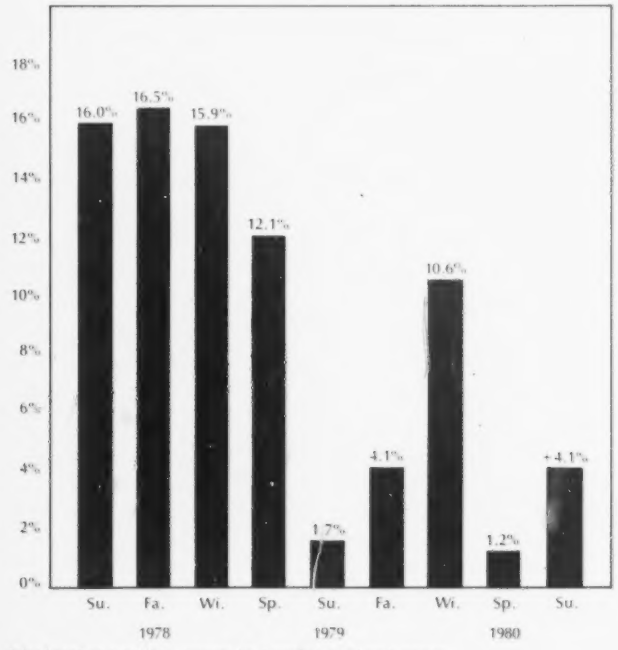
restaurant, is examined. During the Summer Quarter the number of visits per family declined by 5.4 percent, a slight improvement over the 5.6 percent drop in the previous quarter and considerably better than the 7.4 percent decrease in last year's Summer Quarter.

When visit frequency by restaurant type is analyzed, it can be seen that most of the decrease can be attributed to substantial cut backs in visits to cafeterias and coffee shops. On the other hand, visit frequency increased at take out restaurants and remained relatively unchanged at fast food, family and atmosphere-specialty restaurants.

Also contributing to Summer's traffic decline was a slight drop in the average party size of 0.5 percent, equal to the decline in the previous quarter. In comparison, average party size had increased by 1.4 percent in last year's Summer Quarter.

The number of families eating out (family reach), increased slightly in the most recent quarter, however, with the total number of families visiting a restaurant in the two week period rising by 1.0 percent from the same period in 1979. This compares to a 0.6 percent gain in the previous quarter and a decline of 3.4 percent in 1979's Summer Quarter.

Percent Change in Quarterly CREST Sales (Summer '78-Summer '80)



Sales based on total U.S.; average for 2 weeks period each quarter.

SOURCE: CREST.

Restaurant Sales Rise 4.1%

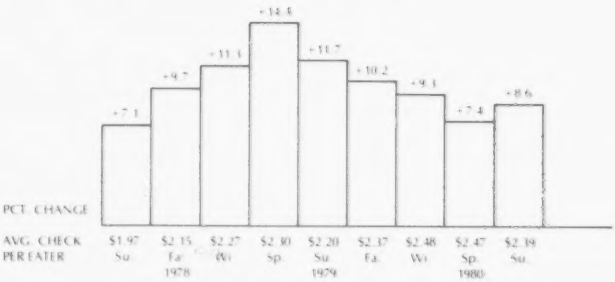
Restaurant industry sales rose only 4.1 percent this Summer Quarter over the summer of 1979, according to CREST information. While this is a significant improvement from the Spring Quarter when sales rose only 1.2 percent, it reflects little recovery from the industry's recession.

Summer vacations were probably curtailed by many consumers because of the high price of gasoline and higher prices for many other travel related goods and services. As a result, industry sales were somewhat depressed. We do expect to see a slight strengthening in industry sales during the next few months. Overall inflation has begun to moderate and consumers do not feel as hard pressed economically as they did earlier this year. In addition, food prices at the grocery store have begun rising faster than menu prices, and consumers may now perceive eating out as a good value for their money.

The rate of increase in average expenditure for a restaurant meal or snack (Eater Check Size) was larger in the Summer Quarter than in the Spring Quarter. During the June-July-August period the average per person check size rose 8.6 percent over the same period last year versus an increase of 7.4 percent in the previous quarter. However, this recent increase is still below the double digit levels of much of last year as shown in the accompanying chart. It should be noted that changes in the average check size can also be due to consumers ordering fewer items or less expensive items as well as more moderate price increases.

Consumer Price Index data also confirm that menu prices have been advancing at a slower pace this past Summer than last year. Although food prices will move upward before the end of the year, the rate of increase for menu prices will probably rise only slightly.

Average Per Person Check* (Summer '78-Summer '80)



*Based on average two week period.

SOURCE: CREST.

Promotional Activity Up Over Last Year

The Summer Quarter CREST data indicate that restaurant operators are continuing to use promotions as a means of increasing customer traffic. The percent of occasions involving a promotion this Summer was 7.8 percent, considerably above last Summer's level of 6.4 percent but below the peak quarters of Winter and Spring when 8.7 percent of the occasions involved a promotion.

A look at promotion usage by restaurant type shows that all types of restaurants stepped up their usage of promotions, with the highest usage at fast food, atmosphere-specialty and family restaurants. Promotion usage at fast food restaurants experienced a considerable increase, rising from 7.6 percent of the occasions in the Summer of 1979 to 9.8 percent in the Summer of 1980.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1978	7.4%	7.3%	5.6%	7.3%
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%	7.8%	

SOURCE: CREST

Traffic Increases at Family and Fast Food Restaurants

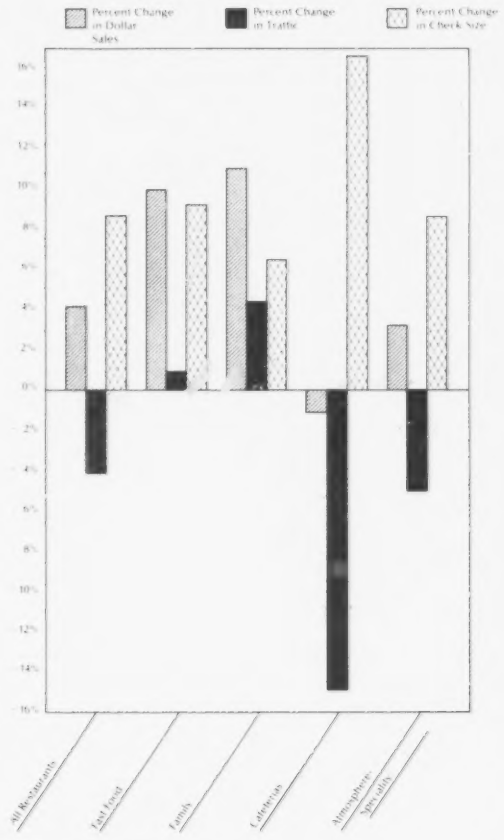
In the most recent quarter, customer traffic rose 4.4 percent at family restaurants over the same period in 1979. In comparison, traffic counts were off 0.7 percent in the previous quarter. A more moderate increase in average per person check size, 6.5 percent versus 8.6 percent for all restaurants, increased usage of promotions and no change in visit frequency by CREST families probably helped to boost customer counts for family restaurants during the June-July-August period.

Traffic at fast food restaurants rose 0.9 percent in the Summer Quarter over the same quarter in 1979, compared to a traffic decline of 0.4 percent in the Spring Quarter. High usage of promotions by fast food operators and an increase in the number of families eating in fast food establishments contributed to this segment's relatively good performance this past summer.

Atmosphere-specialty restaurants suffered a 5.0 percent traffic drop in the Summer Quarter, a considerable improvement over the 10.3 percent traffic loss in the Spring. Increased use of promotions and less rapid rises in per person check sizes were contributing factors to the better performance of these establishments. In addition, CREST families continued to visit atmosphere-specialty restaurants as frequently in the Summer of 1980 as they did in the Summer of 1979.

Traffic delcines were largest at cafeterias and coffee shops. More rapid increases in per person check size than the industry average and decreased visit frequency contributed to substantially lower customer counts for these segments.

Summer Quarter Performance By Selected Restaurant Type



SOURCE: CREST.

Breakfast Traffic Increases for Fourth Consecutive Quarter

As in previous quarters not all meal occasions suffered the decline in customer traffic equally. Breakfast customer counts rose 7.2 percent in the Summer Quarter over the same period last year. This marks the fourth straight quarter that the morning meal has enjoyed traffic gains, with the most recent performance outpacing the previous periods. Breakfast's good showing can be attributed to an increase in visit frequency as well as its perceived good value because of the slower rise in average per person check size. CREST research-

ers believe that breakfast has benefited from the traffic loss in morning snack occasions and reflects the consumer's trade from a small to a more complete meal in the morning.

Snacking occasions continue to show the largest decline in customer count. The number of snacking occasions this past Summer Quarter declined by 7.5 percent due primarily to a drop in visit frequency. In addition, a 12.4 percent increase in average per person check size most likely caused a decline in the perceived value of snacking occasions by consumers.

Lunch occasions decreased by 6.3 percent in the Summer Quarter compared to a smaller drop of 4.5 percent in the Spring Quarter. Lunch prices continue to rise at a more rapid pace than overall restaurant prices, 9.1 percent versus 8.6 percent. CREST information shows that fewer families were eating lunch out in the most recent quarter and that those families who did eat out were doing so less often. In addition, the number of unemployed persons was rising during this period meaning that fewer people were faced with the necessity of eating out for the noon day meal.

Supper traffic declined at a slower rate than overall restaurant traffic in the June-July-August quarter, down 1.9 percent compared to a 4.1 percent drop for the industry. This is a significantly better performance than in the Spring Quarter when supper customer counts were off 5.8 percent. Increased use of promotions and a slower rise in per person check size than average (6.2 percent versus 8.6 percent) probably led many consumers to see a good price/value relationship for supper.

WHAT IS CREST?

Launched in September 1975, The CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study name refers to chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

ROPER REPORTS: CHANGES IN EATING OUT BEHAVIOR

Recent information from the July public opinion poll conducted by the Roper Organization indicates that consumers have altered some of their eating out behavior in response to higher prices for most goods and services and declining real incomes. In this survey adults were questioned about what they were doing to cut down on their living expenses, and restaurateurs may be particularly interested in the answers from respondents who said they were spending less on eating out.

The Roper poll asked respondents which, if any, of four things they were doing to make a serious effort to cut down on their living expenses. Reducing expenditures for eating out ranked second as shown in the accompanying table. Forty-two percent said they had curtailed spending for dining out versus 58 percent who said they had not. In comparison, a slightly higher 43 percent stated they were cutting back on expenses for entertainment, 38 percent were reducing spending on clothing and 36 percent indicated they had cut back on expenditures for groceries. On the other hand, nearly three out of ten of those surveyed reported they were not doing anything to reduce their living expenses.

An analysis of the demographic characteristics of those respondents who indicated they were spending less on eating out helps explain why the industry has been experiencing modest sales gains this year. The 18 to 29 year olds as well as the 30 to 44 year olds say they have spent less on eating out in the past month or so. Information from CREST indicates that about 50 percent of the restaurant sales dollars and 40 percent of the patrons are between the ages of 18 and 45. Since this group has most likely reduced expenditures for dining out, according to the Roper survey, it is easier to understand why our industry sales have not been rising as rapidly as in previous years.

In the Past Month or so, Have You Made a Serious Effort to Cut Down on the Amount of Money You Spend on Any of These Things?

Entertainment	43%
Eating Out	**42%**
Clothing	38%
Groceries	36%
None	28%
Don't Know	1%

The Roper poll also showed that middle income respondents and respondents in white collar occupations were curtailing the amount spent on eating away from home. In addition, 51 percent of the families with children under 13 stated they were spending less on dining out compared to 42 percent of the families with teenaged children.

Consumers Curtailing Number of Restaurant Visits

The Roper Organization went on to question those who said they had cut back on eating out expenditures in order to pinpoint ways consumers were reducing their spending for restaurant meals. The most frequently cited method was eating out less, with 33 percent saying that this was the manner in which they were curtailing their restaurant expenses. (CREST data reported in other articles in this issue of *Foodservice Trends* also point out that consumers are dining out less frequently than they had in the past.) An analysis of the demographic characteristics of those who are eating out less indicates that those under 45 and with incomes over $15,000 are eating away from home less often. In addition, respondents who are college educated and employed in white collar occupations were also more prone to eating out less. Since CREST data indicate that a high proportion of industry sales and patrons come from these demographic groups, it helps explain why our industry has been experiencing some hard times this past year.

Other respondents stated they were eating in less expensive places or eating more often in fast food restaurants in an effort to curtail eating out expenditures. Eleven percent stated they were dining out in less expensive restaurants, with the 30 to 44 year olds, incomes over $25,000, Westerners, white collar workers and families with children under 13 most likely to follow this course of action. Nine percent said they were eating more often in fast food restaurants. This was especially true for those under 45, middle income families, blue collar workers and families with children under 13. Information from CREST, as reported in other sections, states that traffic at fast food restaurants has increased recently, and respondents' answers to this question provide a good explanation for this phenomenon.

Those surveyed by the Roper Organization also indicated that they were cutting back on eating out expenses by ordering fewer items or ordering less expensive menu items. Five percent said they were eating out at the same restaurant but ordering cheaper menu items, and this was especially true for upper income families and white collar workers. Cutting down or cutting out desserts and beverages were other methods used by respondents in an effort to reduce eating out expenses.

In Which of the Following Ways, if Any, Are You Cutting Down on the Amount You Spend Eating Out?

Cutting down on the amount spent on eating out	42%
Eating out less often	33%
Eating in less expensive restaurants	11%
Eating more often in fast food restaurants	9%
Eating out at the same places but ordering less expensive items on the menu	5%
Cutting down or cutting out beverages or drinks when eating out	4%
Cutting down or cutting out desserts when eating out	4%
None	1%
Not cutting down on amount spent on eating out	58%

Frequent Dining Out Still Common

Although recent information has shown that restaurant traffic has declined, dining out for the evening meal is more common now than in 1977. A Roper Organization survey in May reports that the proportion who dined out at least once in the past three months has gone up six points, from 71 percent to 77 percent.

More importantly, frequent dining out for supper is more common. In 1977, 26 percent of the respondents did so at least five times during the prior three months compared with 31 percent this year. In addition, only 10 percent of those surveyed in 1980 stated they had not been out to dinner at all in the past ninety days versus 14 percent in 1977.

In the Past Three Months, About How Many Times, if Any, Have You and Another Person, or You and Two or Three Other People Gone Out for Dinner?

	June 1980	June 1977
Not at all	10%	14%
Once	12%	13%
Twice	14%	13%
3 or 4 times	19%	18%
5 to 8 times	12%	11%
9 to 13 times	10%	7%
14 or more	9%	8%
Don't know/never go out to dinner	14%	15%

SUGAR PRICES MOVING UPWARD

Sugar prices at the wholesale level have averaged 43.0 percent higher in the first nine months of this year compared to the same period last year, according to data from the Producer Price Index. In comparison, wholesale sugar prices were up only 8.3 percent in 1979. U.S. sugar prices closely follow world sugar price movements, and a drop in world production as well as an increase in world consumption have caused overall sugar prices to move upward.

Total world sugar production in 1979/80 is estimated at 85.4 million metric tons, approximately five million tons below the previous year. Output has dropped in six countries—India, Brazil, Cuba, Thailand, Soviet Union and Spain-because of poor weather conditions, disease and planned production cut backs. Output in 1980/81 is expected to total 87 to 92 million metric tons, with the exact level dependent on damage due to disease and bad weather. World sugar consumption has been increasing, up 1.6 percent in 1979 and 1.0 percent in 1980 and should total 92 million metric tons this year. As a result, sugar stocks are being reduced, causing prices to rise this year and throughout much of next year. However, the larger output for 1981 should result in more moderate price increases next year.

U.S. Sugar Production Up Marginally in 1980/81

The weather for growing domestic sugar crops varied from very poor to very good this year. Michigan and Ohio enjoyed unusually good weather for growing sugarbeets, while the Minnesota-North Dakota area suffered from extreme drought. The irrigated areas of the plains, the northwest and the southwest had adequate water and produced crops with normal yields. Rain, or lack of rain, was also a factor in the sugar cane growing regions of Texas and Louisiana. In addition, many areas in Hawaii received too much rainfall, delaying the harvest. Overall, but particularly because of the drought damage to the Minnesota-North Dakota beet crop, the 1980/81 total U.S. beet and cane sugar production is expected to be only marginally better than 1979/80's 5.58 million tons.

Higher costs this year for motor fuel, fertilizer and farm supplies and equipment have caused input prices for farmers growing sugar crops to rise as much as 15 percent over the previous year. This is significantly above 1979's 7.0 percent increase. Because of higher parity and market prices in 1979/80 most sugarbeet and

sugarcane growers were able to make a profit on their crops and are expected to continue or increase present production levels. Higher input prices are predicted for the 1980/81 crop year, but growers should be able to maintain margins because of rising world sugar prices.

Although this nation is dependent to a great extent on imported sugar, this dependence is declining. In 1979, sugar imports accounted for 46.6 percent of our sugar supplies, down from 50.6 percent in 1977. For the first six months of 1980 sugar imports have totaled 2.1 million short tons (raw value), a decrease of 416,000 tons from the same period in 1979. Imports in calendar year 1980 are expected to total around 4.5 million tons compared to 5.0 million last year.

Per Capita Sugar Consumption Declining in U.S.

Although per capita sugar consumption has been rising in many parts in the world, it has been steadily declining in the U.S. Per capita refined sugar use for the United States totaled 42.5 pounds in the first half of 1980, nearly 2 pounds less than in the first half of 1979. For all 1980, consumption may fall 2 to 3 pounds short of 1979's 91.1 pounds, according to Department of Agriculture economists. This would be the lowest per capita level since the sugar-short years of World War II and slightly below the 90.2 pound level of 1974 when prices rose dramatically.

Per capita consumption of sugar in this country appears to be closely related to the price of sugar and the use of sugar substitutes, especially high fructose corn sirup. During the seventies per capita consumption of high fructose corn sirup has increased from 0.7 pounds per person to 15.4 pounds, while per capita sugar consumption has declined from 101.8 pounds to 91.1 pounds. Much of the increased consumption of high fructose corn sirup has been due to a rise in the usage of this sweetener in soft drinks.

NRA FOODSERVICE TRENDS

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Corn Sweetener Prices to Rise

As sugar prices and sugar supplies have become more volatile in recent years, many manufacturers who use large quantities of sugar have turned to alternative sweeteners. In partiuclar, these major sugar users have turned to corn sweeteners because supplies are less volatile and prices have risen more moderatley.

Corn sweetener prices, however, have strengthened significantly since January. High fructose corn sirup (HFCS) prices have risen nearly 60 percent this year reaching a high of 27.96 cents a pound in early August. HFCS list prices are still about 12 to 14 cents a pound below comparable reported sugar prices. These recent increases in corn sweetener prices have been due to higher prices for competing sugar as well as increasing corn prices, expanding product demand and tight processing capacity.

Prices for HFCS are expected to increase next year despite an increase in supplies. In 1981, the domestic corn grind for starch and corn sweeteners could well top 500 million bushels, up 7.5 percent from this year. However, prices will move upward because of increasing demand and higher prices for competing sugar. In addition, the U.S. corn crop is smaller in 1980 than it was in 1979, and as a result, overall corn prices are also predicted to rise about 15 percent.

Operators Will be Faced With Higher Costs for Sugar and Sugar Products

The higher prices at the wholesale level for sugar and corn sweeteners will mean that restaurant and foodservice operators will be paying more not only for sugar, but also for bakery products and non-alcoholic beverages such as soft drinks. These components in NRA's Food Cost Index account for 15.2 percent of the food purchases made by restaurants. Thus, rapid increases in these commodities can adversely affect food costs for operators.

During the first nine months of this year wholesale bakery product prices have averaged 12.1 percent higher than in the same period in 1979, flavored syrup (used for fountain soft drinks) prices have averaged 18.0 percent higher and non-alcoholic beverages have risen 12.5 percent. Sugar and corn sweetener prices are not expected to rise as dramatically in 1981 as they did in 1980 and as a result operators can probably expect price increases for sugar and sugar products to be more moderate next year.

Commodity Price Index

COMMODITY	1978-1979	Percent Change Sept. 79-Sept. 80	9 mos. 79-9 mos. 80	Aug. 80-Sept. 80
Bakery Products	10.0%	9.3%	12.1%	0.5%
Flour & Cereal	12.4%	8.7%	13.2%	1.8%
Beef & Veal	24.7%	3.6%	4.0%	(4.3%)
Other Meats	(2.8%)	12.0%	(20.2%)	1.3%
Pork	(6.4%)	12.5%	(10.1%)	1.0%
Lamb	5.9%	5.9%	(0.3%)	(2.8%)
Poultry & Eggs	0.7%	24.7%	3.0%	6.6%
Poultry	(2.8%)	31.9%	(1.4%)	6.6%
Eggs	11.3%	7.4%	7.2%)	6.5%
Fish & Shellfish	22.6%	(5.9%	0.9%)	(0.8%)
Sugar & Sweets	6.9%	41.6%	30.2%	(0.8%)
Sugar	8.3%	57.1%	43.0%	(1.6%)
Vegetables	2.0%	33.6%	3.2%	7.0%)
Fresh Vegetables	0.5%	53.6%	2.2%	10.2%
Fruits & Juices	8.7%	7.0%	4.9%	(0.1%)
Fresh Fruit	5.8%	12.6%	4.7%	(0.3%)
Beverages	0.8%	1.4%	11.8%	(2.1%)
Dairy Products	12.1%	7.2%	9.2%	0.5%
Fats & Oils	6.4%	3.1%	5.2%	(0.1%)
NRA Food Cost Index	**12.2%**	**8.1%**	**4.7%**	**(0.6%)**
All Food, Producer Price Index[1]	**9.5%**	**11.4%**	**6.2%**	**0.1%**

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

Check your label!

Your mailing label does more than just get *Foodservice Trends* mailed to you. It serves also as your Membership Directory listing, as well as a listing for all other departments in the NRA.

Please look at your label closely to make sure the name and address are correct. Any changes should be sent to: Eloise Bailey
National Restaurant Association
311 First Street, N.W.
Washington, D.C. 20001

INDUSTRY INDEX

RETAIL SALES (000,000)	Sept. 1980	Percent Change vs. Year Ago	Year to Date Sales Sept. 1980	Percent Change vs. Year Ago
All Retailers	$76,540	+5.2%	$679,099	+ 6.3%
Eating & Drinking Places	$ 6,812	+6.6%	$ 60,393	+ 8.3%
Food Stores	$17,365	+9.2%	$156,164	+11.0%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (September)	Percent Change vs. Year Ago	Percent Change 1980 to Date vs. Year Ago
Food at Home	+10.3%	+ 7.1%
Food Away from Home	+ 9.6%	+10.1%
All Items Less Food	+13.2%	+15.2%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	Aug. 1980	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$6,597	+7.2%	$47,487	+8.3%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (Aug.)	−2.1%	−1.8%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	Aug., 1980	Percent Change vs. Year Ago
Total Employment	4,984,100	+4.7%
Nonsupervisory Employment	4,582,500	+4.7%
Nonsupervisory Average Hourly Earnings	$3.69	+7.3%
Average Weekly Hours	27.3	N.C.

(Source: Bureau of Labor Statistics.)

FOODSERVICE TRENDS

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National Restaurant Association
311 First Street, N.W.
Washington, D.C. 20001
(202) 638-6100

Chicago Office
One IBM Plaza, Suite 2600
Chicago, Illinois 60611
(312) 787-2525